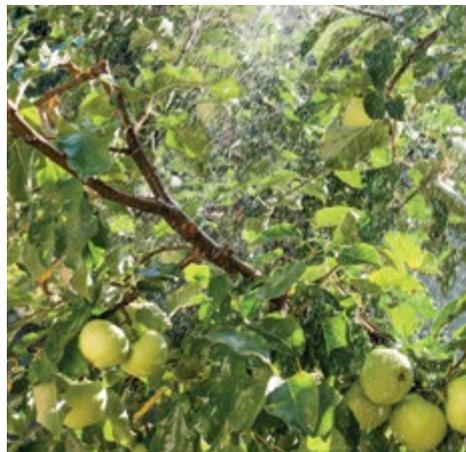




2016/17 IrrigationNZ Annual Report



SMART

IRRIGATION
NEW ZEALAND



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NICKY HYSLOP

Chair Report



The past year has been a busy and event packed period for the irrigation farming community and for IrrigationNZ.

Water issues and irrigation have been a high profile topic and as an organisation IrrigationNZ has been very active in this debate. Our focus has been to bring good science and information to the forefront of any discussion around our invaluable water resource while recognising the wider community interest in water and how we use it. This has resulted in IrrigationNZ gaining credibility with a range of stakeholders, including the now successful Coalition Government of Labour, NZ First and The Greens – while we have not always agreed on the detail around water policies, Labour acknowledge that as a primary sector organisation we had been in their office more than any other over the last three years.

It is increasingly apparent that alongside good science and information, we need to engage with New Zealand to tell them about the our “Irrigation Farming Story.” We need to talk not just about the economic and social benefits of irrigation but also about the ability of modern irrigation to address the legacy issues of land intensification. Multi-purpose water infrastructure can address both environmental issues and community needs and provide resilience in the face of climate change.

For new developing irrigation schemes, there continue to be challenges. To be ultimately successful engagement with all stakeholders at the outset of any proposal is critical as is the consideration of community expectations. It’s been really encouraging to see Stage 2 of Central Plains Water get underway. The second stage of this scheme will significantly reduce demand for groundwater in Selwyn – a win-win for both the community and the environment over the longer term.

Not every developing scheme has been able to proceed. I see Ruataniwha as a genuine lost opportunity that resulted from the project being caught in a political storm over water. Hawke’s Bay has missed out on the chance to further attract high value crops such as vegetables, pip fruit and vineyards while at the same time augmenting the Tukituki River with stored water over the summer months when mother nature turns the tap off. This could have been a game changer for the region.

As farmers we are increasingly being challenged with ongoing compliance and regulatory costs. It is often difficult to see the real benefit to our everyday businesses of this “paper war”... however Farm Environmental Plans are and will be a tool for farmers to not only meet compliance requirements but also identify opportunities to add value to our farms. This may initially appear daunting but I encourage all farmers to get going in this space, whether required or not by your Regional Council.

Other challenges on the farm are the need to ensure we as farmers and our staff continue to upskill. IrrigationNZ are proud to have been able to support you in this area by offering a range of training opportunities and education resources to provide our members with the right tools and knowledge to make significant changes on the farm. Many of you have also invested capital in new technology to use water more efficiently and effectively and in plantings to encourage biodiversity. The changes made today will result in significant improvements to our environment in the future.

Within schemes, there is has been a lot of investment and activity occurring to ensure they can deliver water where and when it is needed, meet a range of environmental requirements and consider governance structures to ensure they are a good fit for future needs.

Our members in the service industry have also been making substantial investments in training and qualifications which will provide farmers and growers with ongoing access to high quality irrigation designers and service technicians.

We would also like to recognise and thank the contribution our partner organisations Willis Towers Watson and FMG have made to supporting IrrigationNZ and our members through their sponsorship and support.

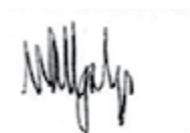
As a small organisation, IrrigationNZ cannot tell the irrigation story by ourselves. We need our farmers, growers, service industry, schemes and primary sector partners to work with us to carry our message that New Zealand has some of the most efficient food producers in the world, and irrigation makes an important contribution to this. We will continue to look to our members to champion our sector and organisation.

The heated election campaign on water issues and our response was a great example of how we can and must collectively work together. I am very proud of the work that IrrigationNZ and our farmer members did to ensure we had a strong voice that focused on facts and in particular refuted the “benefits” of a water tax. We know going forward that this work is not done and that alongside good science and information we need to tell our story and engage more with the New Zealand public.

We have two board members who are retiring from Irrigation New Zealand, Hugh Richie and Stephen McNally. Hugh Richie has been a board member for 13 years and has brought a wealth of primary sector governance experience with him but also a pragmatic approach reflecting his many years as a leading arable irrigated farmer. Stephen McNally, an engineer and water sector leader in Opus International has been a IrrigationNZ board member for 12 years. Stephen’s technical knowledge and thorough understanding of business and governance and the role of irrigation in New Zealand has benefited IrrigationNZ hugely over his tenure. These two board members deserve our member recognition for their tireless work and commitment to our irrigation community. We wish them well for all their many successes to come.

Finally I would like to say a huge thank you to our staff and Chief Executive Andrew Curtis who continues to work well and truly beyond the scope of his role. The passion and knowledge he brings to the role is immense.

I wish all of you good luck for the season ahead and hope you have a happy Christmas, and a safe and prosperous New Year.



Nicky Hyslop
Chairwoman
Irrigation New Zealand

ANDREW CURTIS

Chief Executive's Report



It's pretty clear to everyone that a new government will mean quite a number of changes in a range of areas. One of the main areas of focus for the new government is on improving water quality. But what exactly does that mean?

I thought I would share the comments made by the new Minister for the Environment, David Parker, at a meeting held in Wellington in mid-November to give you some idea of the government's thinking on these issues.

From their perspective they saw addressing water quality issues as a priority and the election campaign as providing them with a mandate to move quickly to clean up rivers and lakes. They wanted to see any further environmental degradation to water quality stopped by 2020 with improvements also underway.

The minister stated that New Zealand has reached "peak cow" and their intention was to revise the National Policy Statement on Freshwater Management to introduce new rules requiring anyone wanting to intensify their land use to be compelled to get a consent to farm. How this applies to housing development in urban areas is unclear. Using the new provisions within the RMA, pushed through by the previous government and which IrrigationNZ submitted against, this will automatically be given effect to through regional plans. They also want to see regional councils become more accountable with their environmental outcomes and planning processes being audited annually alongside their financials.

An independent review of the National Objectives Framework is also planned – an analysis of how robust the environmental bottom-lines are. A new centralised prosecution organisation is also planned which would be responsible for prosecuting breaches of regional plan rules or consents rather than regional councils undertaking this activity. However, regional councils would still have to part fund prosecutions along with anyone found guilty of breaching consents or rules.

Sediment was seen as a major issue and they wanted to see rules in place to address this. Winter forage crop practices will be in the firing line when this comes into play.

The new government also wants to see more land use diversification away from ruminant agriculture and towards uses such as high value horticulture or cropping. They want to see more new plant varieties developed and a move to farming systems with lower environmental impacts, as well as the use of research and development funding to invest in technology to address environmental issues.

Labour continues to have a focus on water allocation issues, water pricing and iwi rights and interests. So while there is no water tax currently on the table, this will be back in 2020 as they see the tax as a way of driving efficient water use plus addressing treaty claims. They do not agree with water trading as a way forward.

I had a brief discussion with the minister afterwards to remind him that whilst you can regulate to your hearts content the key is incentivising end users to want to change – there's no practical way you can regulate all 58,000 farms in New Zealand.

From my perspective I see that we are making progress in improving water quality, and that the best progress is being made by enabling communities to work through the issues together, with the support of good information and good science, and reach outcomes that have been

discussed and agreed at a local level. Solutions need to be practical to implement on the farm, otherwise they will struggle to be adopted.

It's a challenge when a new government comes in with lots of new ideas about how things should be done, however it is also an opportunity for farmers and communities to come forward with examples of initiatives that have worked in their communities and share them with others. The same goes for our service sector, where new technologies are being developed all the time and once trialled can then be applied more widely.

An example of how we are making improvements on the ground is underway right now with the irrigation efficiency testing programme we are running over the summer in Selwyn and Hawke's Bay. Our goal is for over 150 farmers to become engaged in the programmes. Everyone who takes part will either receive confirmation that their systems and processes are working as they should do, or receive advice on how to fix the issues they are facing. The end result is water is used more efficiently, energy consumption is reduced, yields are increased and less nutrients are lost to waterways. We need more practical programmes like these underway if we're serious about making a difference.

Building capability and capacity within the sector is also key. In 2018 we'll have completed our goal for the irrigation service industry to have an option for school leavers to enter and then progress along a career pathway. This will allow the sector to compete with other trades for the cream of the crop. We'll also be well on our way to converting all our knowledge and training resources to an online learning system, allowing irrigators to instantly access knowledge through their SMART phones and tablets.

Equally we need to become better at telling the public how irrigation is part of their lives. To do this, over summer, IrrigationNZ will be running a social media campaign inviting people to share photos of food they have grown with irrigation – either on their farm or in their garden. In far too many urbanites minds irrigation is something farmers do, and it carries negative connotations. We need to make the link between the backyard vege patch, along with the food people buy from the supermarket and the irrigation taking place in the countryside.

I'd like to say a huge thankyou to the team at IrrigationNZ for their dedication and effort over the last year. It's been a huge year and as always the team has gone above and beyond. I'd also like to say a big thankyou to our members for your support and we look forward to continuing to receive your comments as we continue to work on your behalf.

Finally I'd like to say farewell and thank you to Chris Coughlan, our Business Manager. Chris has been a long serving member of our team and has contributed a huge amount to IrrigationNZ. She has been instrumental in developing our highly successful conference as well as starting this magazine. We'll miss her and we wish her well for the future.



Andrew Curtis
Chief Executive
IrrigationNZ

Achievements 2016/17

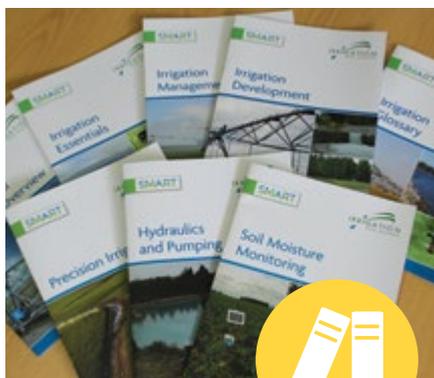


MEMBERSHIP

3500 members.

Quarterly forums

hosted for irrigation schemes, user groups and industry. Forums help us understand and act upon our members' concerns and needs.



KNOWLEDGE

Added new guides on commissioning and constructing on-farm storage ponds. This adds to our suite of 30 knowledge resources produced to support our members.



ADVOCACY

IrrigationNZ meets regularly with Ministers and their advisors, opposition party representatives, environmental lobby groups, regional councils and primary sector member organisations to raise issues and seek collaborative actions and solutions.

In 2017 we were very active during the election campaign. IrrigationNZ met with political party representatives, and carried out a media and social media campaign highlighting the adverse effects a water tax could have and the difficulties associated with this proposal. We also invited the major parties to attend meetings with our members, which saw both the National Party and NZ First state they opposed a water tax at the events. The successful campaign IrrigationNZ ran saw our members save an average of \$24,000–\$29,000 per year (at a 2 cent tax rate) which can now be invested on farms.

There are still many challenges for irrigators ahead including:

- More stringent environmental regulations regarding water proposed by the new government.
- The removal of government loan funding for irrigation development.
- The need to better communicate the economic, social, and environmental benefits of irrigation to the public, politicians and media and the importance of irrigation to food security.
- The possibility of a water tax being introduced at a later time.

“Regular meetings with Ministers and politicians gives IrrigationNZ the opportunity to engage at the highest political level on behalf of our members.”

– IrrigationNZ Chairwoman Nicky Hyslop



TRAINING

560 people
attended **40** training courses
held around New Zealand.

28 workshops
were held to upskill farmers,
farm managers and staff about
irrigation, good management practice,
and risk advice.

6 workshops were held to
upskill industry professionals.

Establishing a Profession

We hosted a second intake of
Irrigation Design Qualification
students and we got the 'go-ahead'
from NZQA to develop an
Irrigation Apprenticeship.

"The design course is helping
to create an industry standard.
We're part of a process that will
upskill people and set a higher
standard for our industry."

– Feedback from 2016 Design
Qualification student



PROJECTS

Sustainable Farming Fund: Our SMART
Tips & Tools for Irrigators project
attracted funding of \$590,000 over
the next three years.

Attracted \$40,000 funding to
develop the 'Check It – Bucket Test'
app, which was successfully
launched in February 2017.

As a joint project with Environment
Canterbury we tested the efficiency
and management of 131 irrigation
systems in Ashburton and made
recommendations to farmers on how
to improve irrigation performance.

"It is estimated that \$1.5bn in farm
gate value could be created from
the successful implementation
of Irrigation Good Management
Practice (GMP). The 'SMART Tips &
Tools' project has a significant role
in helping to achieve this."

– IrrigationNZ CEO, Andrew Curtis

LOOKING AHEAD

Looking to the future IrrigationNZ
plans to:

- Continue to upskill and train irrigators to use water efficiently and develop training options for the irrigation service sector.
- Continue to support irrigation developments that grow the well-being of provincial New Zealand communities and improve the health of our rivers.
- Encourage and support new technologies and initiatives that improve the environmental performance of irrigated agriculture.
- Increase awareness of the role irrigation plays in food production and food security, and how it contributes to wellbeing in provincial communities.
- Support Māori to realise the potential of their land through irrigation development.





Financial Summary



	2017 \$	2016 \$
SUBSCRIPTIONS		
Schemes & User Groups	298,841	306,770
Schemes Developing < 2000 ha	660	660
Schemes Developing > 2000 ha	13,200	14,080
Irrigator	87,270	88,280
Government	13,200	13,200
Service Industries > 5 Staff	71,280	72,600
Service Industries < 5 Staff	23,760	28,380
Service Industry – Individual	5,940	7,920
Students	165	132
Research & Industry	2,640	2,640
Retiree	264	264
	517,220	534,926
OTHER INCOME		
Grants	-	8,693
IrrigationNZ Project Management – Projects	76,765	57,576
	76,765	66,269
TRADING INCOME		
Sponsorship	174,800	121,780
Events	7,656	100,000
Advertising	19,739	153,316
Course / Workshop Fees	195,312	177,850
Resources	280	380
IrrigationNZ Project Management (Taxable)	54,000	-
Other	63	2,482
Other IrrigationNZ	-	630
	451,850	556,438
INVESTMENT INCOME		
ANZ Bank	4,813	4,793
TOTAL INCOME		
ANZ Bank	1,050,648	1,162,426



	2017 \$	2016 \$
ADMINISTRATION EXPENSES		
Accounting	3,800	3,000
Accountancy (Special Work)	6,000	-
Advertising & Sponsorship	18,910	4,850
ACC	1,526	1,732
Bad debt	12,137	28,247
Bank Fees	2,212	1,507
Catering	19,616	13,351
Computer Expenses	460	1,700
Consultants	90,807	127,079
Entertainment	1,165	345
Equipment Hire	4,862	836
Eftpos Charges	173	173
General Expenses	2,343	3,986
Insurance	6,326	9,012
Legal Expenses	19,433	7,496
Licence Fees	6,672	4,916
Media	31,210	52,490
Printing	114,101	79,229
Postage & Courier	45,533	16,740
Professional Development	19,836	6,931
Project Contributions	3,000	3,000
Recruitment Costs	1,099	396
Rent	36,720	36,720
Salaries	629,743	595,840
Stationery	1,399	3,651
Subscriptions	1,023	1,042
System Development	3,708	1,138
System Support	16,772	17,691
Telephone & Tolls	10,418	12,215
Travel & Accommodation	75,797	83,060
Uniform	267	900
Venue Hire	6,289	3,700
	1,193,358	1,122,971
INTEREST		
Inland Revenue – UOMI	1,413	22
TOTAL CASH EXPENSES		
	1,194,771	1,122,993
DEPRECIATION & LOSS ON DISPOSAL		
Depreciation	16,969	19,729
Loss on Sale Fixed Assets	4,001	930
	20,970	20,659
TOTAL CASH EXPENSES		
	1,215,741	1,143,652
NET LOSS	(\$165,093)	
Less Taxation		
Taxation Expense		26,692
NET LOSS AFTER TAXATION	(\$165,093)	(\$7,919)

OUTCOME

Total Loss for the year was \$165,093, compared to \$7,919 last year. This is mainly due to a change in timing of when some income was collected (see information below).

INCOME

Overall income has decreased by \$112,000:

- Events income decreased by \$92,000 – this was because the conference is a biennial event.
- Advertising income decreased by \$133,000 – this was due to a change in invoice timing for the magazine. We have traditionally invoiced at the end of June for the year ahead but we have now corrected this and invoiced in the year that the expenses relate to.
- Membership decreased by \$17,700 from last year – this was due to two schemes changing to quarterly payments and a reduction in service industry members.

However:

- Course and workshop fees were up \$17,000.
- Sponsorship was up \$53,000.
- IrrigationNZ project management from projects (non-taxable) was up \$19,000.
- IrrigationNZ project management (taxable) was up \$54,000.

EXPENSES

Overall expenses have increased by \$72,000:

- Accountancy (special work) was for PWC to carry out an audit of our systems and processes.
- Advertising and sponsorship was up \$17,000.
- Catering was up \$6,000, equipment hire \$4,000 and venue hire \$2,500 due to the increase in events.
- Legal was up \$12,000.
- Printing was up \$35,000 and postage \$29,000 due to increased magazine distribution (4,000 to 9,000).
- Professional development was up \$13,000.
- Salaries were up \$34,000 (due to increased project activity).
- UOMI interest with the IRD was \$1,413 due to IrrigationNZ being a provisional tax payer.

However:

- Bad debts were down \$16,000.
- Consultants were down \$37,000.
- Insurance was down \$2,600.
- Media was down \$21,000.
- Travel was down \$7,000.





	2017	2016
	\$	\$
CURRENT ASSETS		
ANZ Bank 00 Account	311,131	299,570
Taxation Refund	27,953	-
Accounts Receivable	237,997	454,122
Advance – IrrigationNZ Accreditation	-	11,558
Expenditure In Advance (Projects)	12,269	15,362
Total Current Assets	589,350	780,611
NON-CURRENT ASSETS		
FIXED ASSETS		
Property, Plant & Equipment per Schedule	72,403	22,499
TOTAL ASSETS	661,753	803,111
CURRENT LIABILITIES		
GST Due for payment	60,660	64,479
Provision for Taxation	-	25,111
Accounts Payable	89,227	113,330
Accounts Payable – Taxation	13,183	-
ANZ Mastercards	3,985	3,664
Grant Received in Advance (Projects)	48,081	27,533
Other Current Liabilities	569	-
Total Current Liabilities	215,705	234,117
NON-CURRENT LIABILITIES		
HIRE PURCHASE		
Spark (Interest Free)	3,010	1,007
TOTAL LIABILITIES	218,715	235,124
NET ASSETS	\$443,038	\$567,987
Represented by:		
MEMBERS CAPITAL		
Capital Reserves	797	797
Accumulated Funds	442,241	567,190
TOTAL CAPITAL	\$443,038	\$567,987

TAXATION

IrrigationNZ is primarily a not-for-profit organisation. Income from membership activities such as annual membership fees and grants is non-taxable. The expenses relating to these are non-deductible for tax purposes. However, income from trading activities, including the magazine and sponsorship are taxable and the expenses relating to these are tax deductible.

In some cases, an apportionment needs to be done to split expenses into taxable and non-taxable. For example, system support is for computer assistance and as our computers are used for both taxable and non-taxable purposes we can deduct a portion against taxable income. We have calculated that 20% of our work is taxable so where we split expenses we do so on this basis by default.

BALANCE SHEET

We have cash in the bank of \$311,000, a slight increase from last year.

Receivables are \$278,000 and Payables are \$218,715.

Assets – We have spent \$20,000 on our website, \$41,500 on the bucket test app and have also upgraded three of our computers and staff phones.

Equity – Due to the loss for the year members equity has decreased from \$568,000 to \$443,000.

PROJECT SUMMARY

The following projects were carried out during the year: Bucket Test App, EECA, Engineering Apprenticeship, FDE Expo, Justified Irrigation (NIWA), SFF Tools & Tips and the ECan Summer Student programme.

Total project income for the year was \$190,260. We have spent expenditure in advance of \$12,269, which will be on charged in the 2018 year, and have received grants of \$48,081 that are still available to be spent. These are in the balance sheet as an asset and liability.

BUDGET FOR 2017-18

The budget for 2017-2018 is for a profit of \$83,000. We have also budgeting to spend capital expenditure of \$55,000 on a new member management system and another \$8,000 on replacing computers.



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